ANNUAL REPORT 1996

LAROX

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Larox investor relations in 1997

In addition to the annual report, Larox will publish one interim report for the period 1.1.-30.6.1997 on Wednesday 27 August 1997.

Other information for investors can be requested from Larox Oy: phone +358 (5) 668 811, fax +358 (5) 668 8277, e-mail info@larox.fi.

Larox Oy's B-share is listed on the Helsinki Stock Exchange OTC list. The Helsinki Stock Exchange provides information on the Larox share at the internet address http://www.hse.fi/suomi_yhtiot_lar_html. Information on Larox Group can also be found at http://www.larox.fi.

Larox in a nutshell

Larox is a reliable, customer-oriented company, which operates globally representing the top quality in its field of business. Larox's business operations are divided into solid/liquid separation and pinch valves. In these fields Larox has developed solutions, which help the customers in different process industries save energy in an environmentally friendly way, simplify their processes and improve the quality of their end products. The main products include automatic pressure filters, vacuum filters, thickeners and pinch valves.

Values which guide Larox's operations

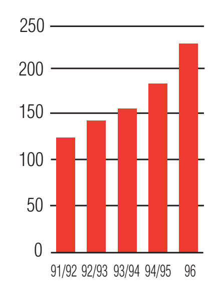
- Customer oriented
- Reliability
- Quality of operation
- Expertise
- Fair play

Fiscal year 1996

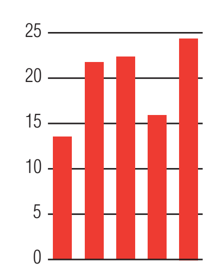
(FIM 1 000)	**1996**	1994-1995 12 months*	1994-1995 18 months	Change, %
Net sales	**233 120**	181 771	272 657	28.2
Operating profit before depreciation	**36 055**	27 495	41 242	31.1
% of net sales	**15.5**	15.1	15.1	2.7
Operating profit after depreciation	**24 415**	15 824	23 736	54.3
% of net sales	**10.5**	8.7	8.7	20.7
Profit before extraordinary items, appropriations and taxes	**16 993**	2 383	3 574	613.1
Return on invested capital, %	**15.8**	10.0		58.0
Equity ratio, %	**26.1**	19.8	19.8	31.8
Balance sheet, total	**175 179**	206 918	206 918	-15.3
% of net sales	**75.2**	113.8		-33.9
Investments	**12 281**		14 060	-12.7
Average personnel	**268**	257	257	+4.3
Net sales/person	**870**	707		23.1
Order backlog 31.12 FIM million	**57**	75	75	-24.0

** The figures for the fiscal year 1994-1995 have been scaled down to 12 months.*

Net sales 1991-1996, FIM million



Operating profit 1991-1996, FIM million



Administration and management

Larox Oy Board of Directors: Timo Vartiainen, President; Katariina Aaltonen; Teppo Taberman; Nuutti Vartiainen, Chairman of the Board; Toivo Matti Karppanen

Larox Group Management

Timo Vartiainen, President

Katariina Aaltonen, Executive Vice President Finance & Administration

Toivo Matti Karppanen, Executive Vice President Marketing & Sales

Fields of Business

Solid/Liquid Separation
- Mining industry: Jaakko-Juhani Helsto
- Chemical industry: Reiner Weidner
- Special processes: Juha Hujanen
- After sales: Kari Suninen

- North and South America: Matti Muhonen
- Europe and Africa: Mikko Häkämies
- Far East and Australia: Pentti Köylijärvi
- CIS countries: Jyrki Kuukka
- Production: Pentti Puhakka
- Research and development: Jukka Koskela

Pinch Valves
- Larox Flowsys Oy: Jukka Aaltonen

Subsidiaries and sales offices

Steven Walters
- Larox Inc., United States
- Larox Inc., Phoenix, United States
- Larox Canada, Canada
- Larox Mexico, Mexico

Lloyd Holliday
- Larox Pty Ltd., Australia
- Larox Pty W.A. Office, Australia

Ian Townsend
- Larox Europe GmbH, Germany
- Larox UK, Great Britain

Matti Muhonen
- Larox Chile S.A., Chile
- Larox Chile S.A., Antofagasta, Chile

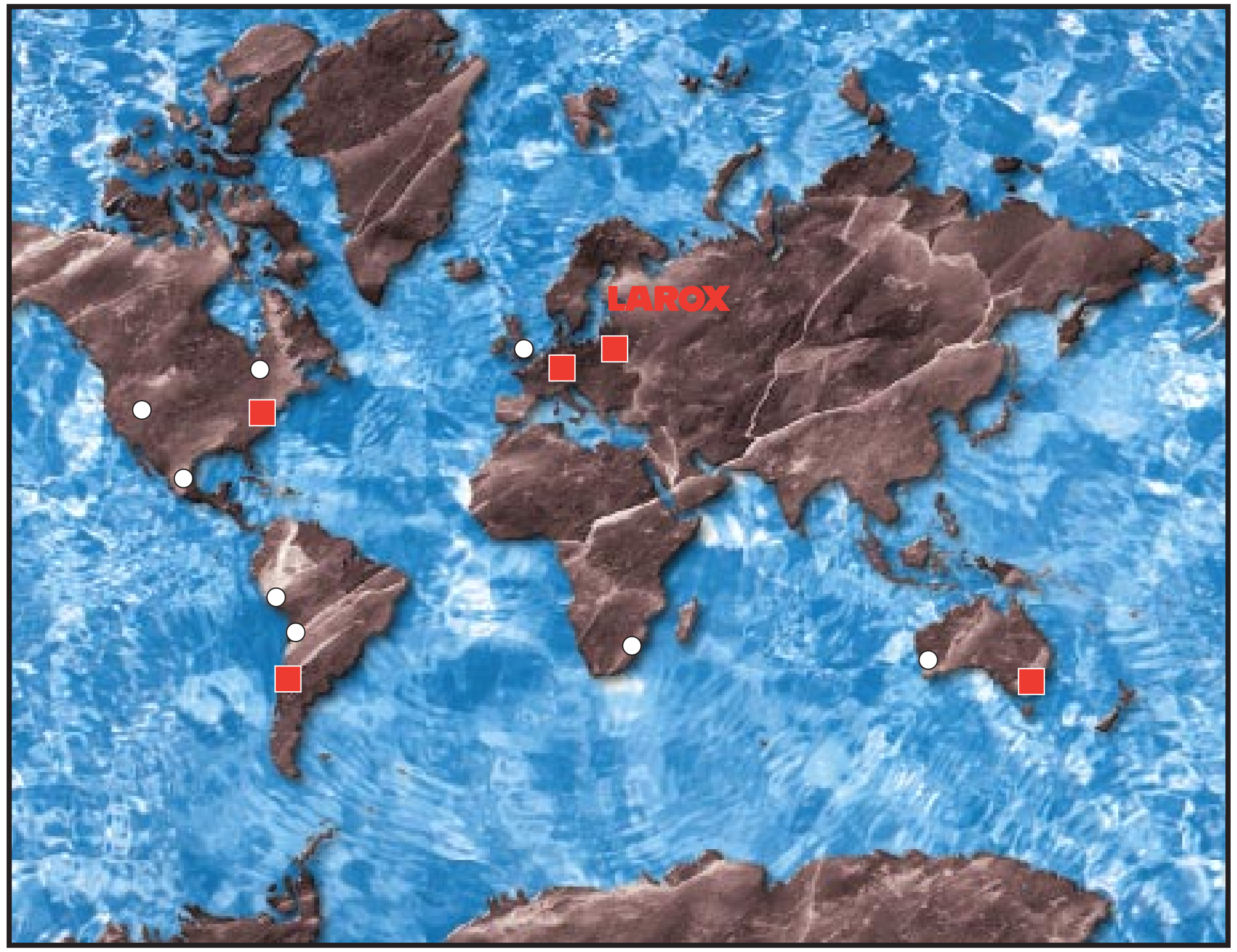
Boguslaw Lubieniecki
- Larox Poland Ltd., Poland

Jukka Aaltonen
- Larox Flowsys Oy

Patrick Jay
- Larox Southern Africa (Pty) Ltd., South Africa

Martti Hirvonen
- Larox Sucursal Peru, Peru

Jorma Nuutinen
- Larox Region Office South America, Chile



■ **Larox Group company** ○ **Larox sales office**

Larox Group

Larox Oy, the parent company of the Larox Group, is headquartered in Lappeenranta, Finland. The main production facilities for Larox pressure filters and Larox Flowsys pinch valves are also located in Lappeenranta.

The Larox Group also consists of six subsidiaries and nine sales offices. The number of employees in the Group in 1996 was 268.

Larox's customers

The Larox organization was rebuilt in 1996 to reflect the needs of its key customer groups. The new organization leverages Larox's core expertise in process technology and equipment.

Mining and metallurgical industries

Larox is a leading supplier of pressure filters for the mining industry worldwide. Larox has supplied hundreds of filters to the mining and metallurgical industries.

Chemical industry

Larox pressure filters are being used by an increasing number of producers in the chemical, pharmaceutical and food industries. A wide range of applications have been developed for this customer group.

Special processes

An increasing number of special processes use Larox pressure filter applications. The flexibility and adaptability of Larox solutions bring strategically important benefits to new processes.

After sales

Larox's firm commitment to after sales service guarantees fast and reliable spare part deliveries, documentation, installation, start-up services and technical support.

Larox valves

Larox Flowsys Oy is specialized in pinch valve technology and equipment. The company supplies pinch valves to many fields of industry worldwide.

In 1996 the Larox Group saw a surge in net sales and profitability. Larox's core technologies and equipment reached more companies in more corners of the world. These positive results were facilitated through an intensified focus on customers' needs, a streamlined organization and further advancements in the company's established fields of expertise.

PROFITABLE GROWTH THROUGH SPECIALIZING

September 1997 will mark the twentieth anniversary of Larox, and there is good reason to celebrate.

Since our start as a company with net sales of ten million Finnish marks, we have grown to become a competitive global player. In 1996 Group net sales grew by over 25% to FIM 233 million, and return on invested capital increased to almost 16%. We clearly achieved our objective of profitable growth, and we intend to sustain these positive trends as we move ahead.

Dividing the operations between solid/liquid separation and pinch valves has greatly strengthened the competitive posture of both businesses in the international markets.

In the solid/liquid separation business we have concentrated on customer processes in which we have unmatched experience and the world's best solutions for end-product quality and total profitability.

In recent years the pinch valve business has become thoroughly competitive in its marketing, production and products. Today our goal is to concentrate on customer processes in which our technology far exceeds the performance of other valve solutions.

Customer needs have to be known

Larox's future success will rest on how well the company understands the needs and success factors of its customers. Supporting their performance with increasingly better process solutions and equipment will remain the cornerstone of Larox's competitiveness. All this will demand a profound focus in our top fields of expertise.

Growth targets cannot be reached only through an annual market growth of three to five percent. Faster dynamic growth can be obtained thanks to the benefits of Larox solutions and the large market potential.

The selected processes in the mining and chemical industries have huge market potentials worldwide. In addition, Larox customers are world leaders in their own fields, which presents further opportunities for Larox to grow with the customers' success.

The key applications also have large potential in fields where improvement of process effectiveness and measures for environmental protection are in their initial phases. Market areas of this kind include the CIS countries and several countries in Eastern Europe, Africa, the Far East and South America. Larox is in the initial phases of operation in these countries and the expectations for future growth are high.

Larox has won increasingly larger projects in recent years. Winning these tenders requires more flexibility in delivery times and other conditions. This creates a continuous need to intensify operations and increase flexibility. The main developmental priority of 1997 is to increase organizational efficiency and support the good development of our productivity.

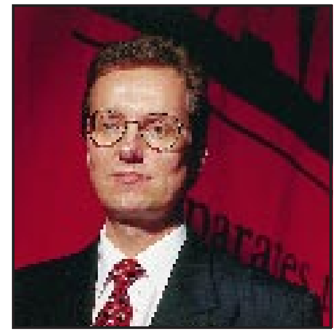
The major investments in production have been completed, and therefore there is no need for additional investments at the moment. Reaching the set growth target will not require significant investments in the near future. Presently, optimizing production and shortening breakthrough and turnover times are the most important challenges.

As indicated by the higher profitability and equity ratio, Larox is benefiting from a stronger financial structure and an improved balance sheet. The objective to increase the return on invested capital to 20 percent and the equity ratio to 40 percent can be achieved in the next few years with the current strategy.

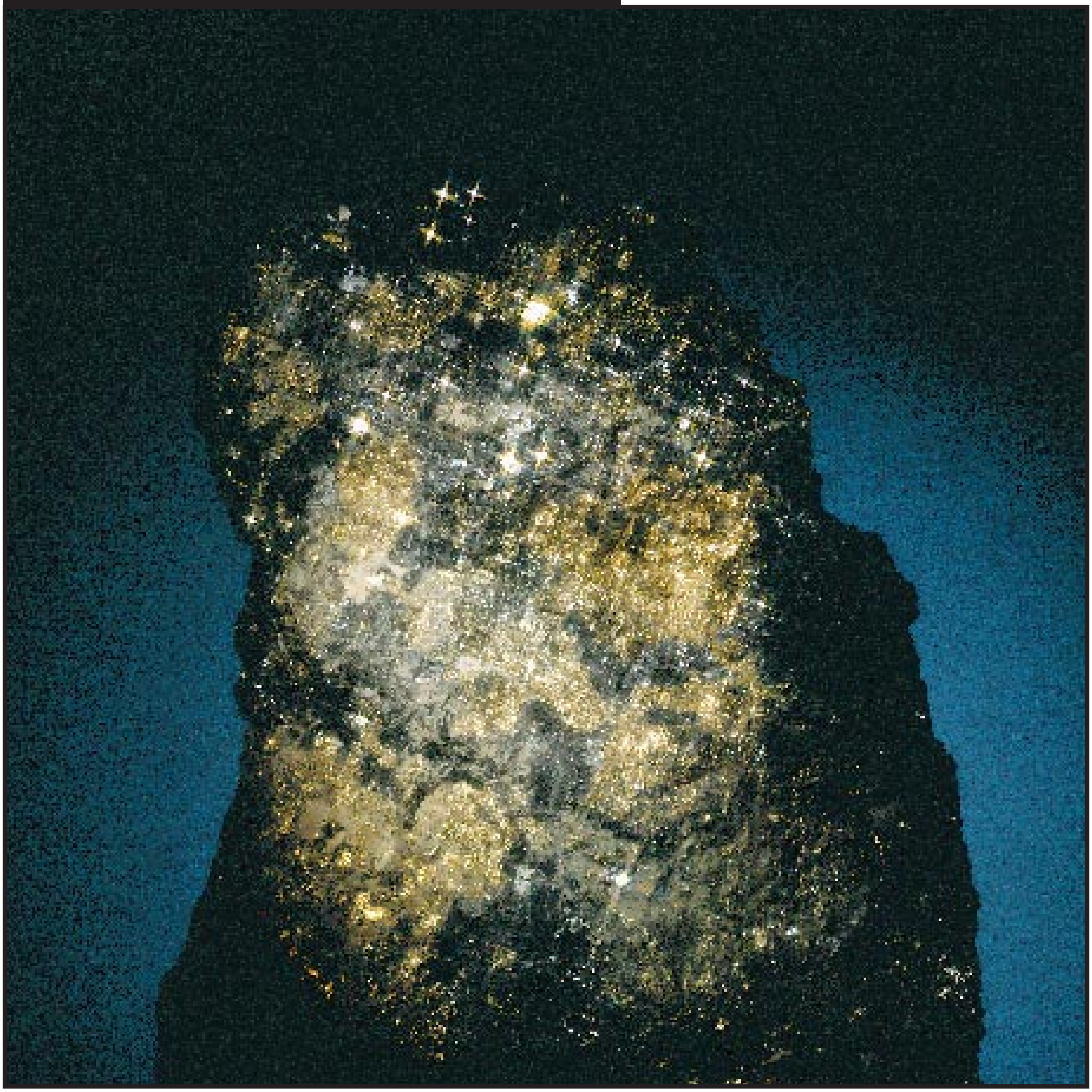
The price development of the Larox share has been uneven throughout the 1990s. This has been caused by the unsteady result development in the last few years. In the future Larox's goal is to pay a dividend equivalent to at least 30 percent of the result. Larox has now good possibilities to make profit.

I would like to thank our customers, cooperation partners, members of the Larox team and Larox shareholders for making the past year's success a reality.

Timo Vartiainen



Timo Vartiainen



Larox continues to pioneer new solutions for mining, metallurgical and minerals processing. Process optimization is the central objective of these applications: they are designed to meet or exceed all process requirements and expectations. Larox enables this customer group to obtain consistent product quality, increased plant throughput and lower operation costs.

HIGHER PRODUCTIVITY FOR MINING AND METALLURGY

The business group for the mining and metallurgical industries is specialized in pressure filter solutions for ore concentration, metallurgy and minerals processing.

A trusted partner in mining

Larox has a particularly strong position as a key supplier of the mining industry, and the market share is growing. Copper, zinc, nickel and lead concentrators are among the biggest appliers of Larox technology.

Advances have been made in assisting the mining industry in processing deposits with increasingly less metal content. Larox works in close collaboration with mining companies to innovate applications that effectively process finer concentrates.

Mining companies are also seeking filtration methods with higher capacity, and they are turning to pressure filtration technology more often as the most viable solution. With Larox pressure filtration technology, the filtration of finer concentrates can be accomplished with higher operating efficiency. For this reason, Larox pressure filters are well known to mining companies worldwide.

Pressure filtration also eliminates the need for tailings ponds. Tailings ponds eventually reach capacity, requiring either concentrator shut downs, pond expansions, or effluent treatment. Larox technology permits the "dry disposal" of tailings. The slurry's tailings can be accumulated after filtration, and the process liquid can be recycled.

Optimizing metallurgical processes

Applying Larox technology in the metallurgical industry is rapidly proceeding. In metallurgical plants there are normally many application possibilities for pressure filters since each metal has a distinct production method requiring several filtration phases. The adaptability and automatic operation of Larox technology is well suited to this kind of environment; an exceptional filtration result is obtained with relatively little energy and water consumption.

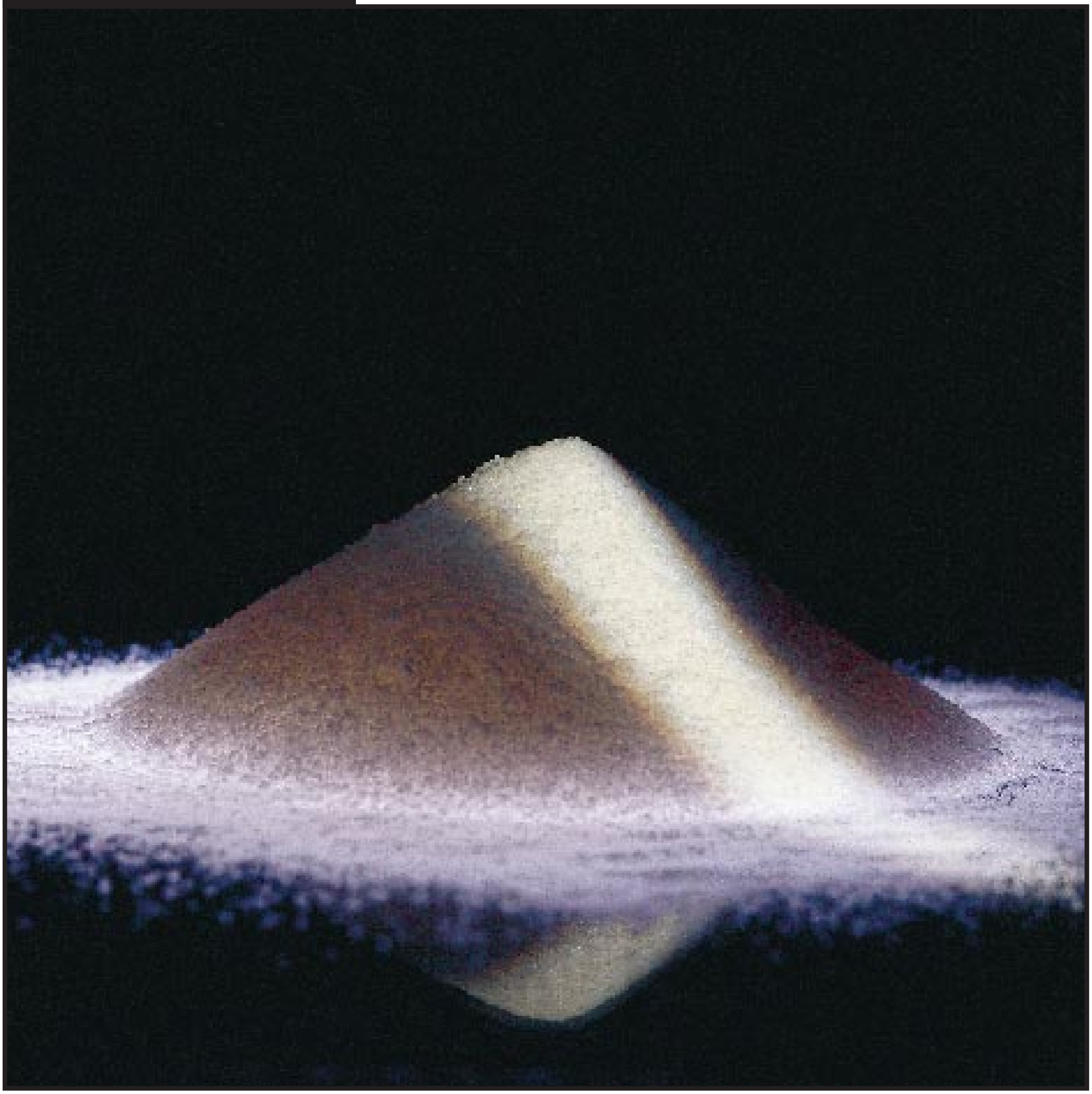
Since base metals are produced in bulk, production efficiency is the key factor of profitability. The pressure filtration method clearly outperforms other drying methods.

The mining and metallurgical industries provide continuous demand for pressure filtration technology, although investments are occasionally postponed due to fluctuations in world market prices for metals. Over the long term, however, these delays are offset by the regular growth of metals consumption.

In the immediate future, Larox will pursue a larger market share in concentrate filtration and an expanded application base in the metallurgical industry.

Jaakko-Juhani Helsto

CHEMICAL INDUSTRY



Larox enables the chemical, food and pharmaceutical industries to achieve higher production yields and greater process efficiency. Larox solutions have outperformed conventional dewatering methods for bulk chemicals, pigments, fillers and plastics to enzymes, starch and fermentation. To these producers Larox means improved quality, increased profitability and cleaner processes.

BIOTECHNOLOGY OPENS NEW MARKETS FOR LAROX

In 1996 the business group for chemicals, foods and pharmaceuticals continued to grow in importance. Companies in these industries sought greater process performance and lower environmental impact, two leading benefits of Larox technology. In particular, Larox applications for biotechnical processes generated strong interest.

Secure position in pharmaceuticals

The pharmaceutical industry is one of the main users of biotechnical processes. Larox pressure filtration continued to make gains as the solution delivering the best filtration results and highest process efficiency.

In antibiotics production, pressure filtration technology is considered the best of all alternatives. The demand for basic medicines is increasing throughout most of the world. At the same time a growing number of biotechnical products, after many years of development, are coming into production. Due to its flexibility and efficiency, Larox pressure filtration technology is positioned to be the primary solution for these new processes.

Food processing for a new century

In recent years, the issues of energy consumption and environmental load have grown in importance within the food industry. Larox technology addresses these concerns by lowering water and electricity consumption. With Larox technology, process emissions are also reduced since less thermal drying is needed.

Heightened competition has stimulated the need for process renewal in industrialized countries. Traditional methods no longer offer the production yield and efficiency requirements that companies now seek. This has created new markets for Larox technology in Europe and North America.

In the developing and densely populated countries, population growth is driving investments in food processing. As we enter the next century these countries' food preparation infrastructures will need efficient, environmentally friendly equipment and technology. Larox intends to pursue this as a long-term opportunity for growth.

Delivering quality in chemical processes

Throughout the chemical industry, Larox technology has become known for its high-quality filtration result. This is of great importance in chemical processing since both results, solids and liquids, are frequently used in production. The dryer solids and clearer filtrate boost both end-product quality and profitability. Larox applications for separating fine solids from liquid are also well recognized for delivering exceptional performance.

Larox technology has been of particular use to the pigment industry. The industry is finding pressure filtration the most effective solid/liquid separation technique for optimizing its production processes. Bulk chemicals processing is another area in which Larox is making big gains. Here, Larox technology maintains a powerful position as the best way to boost profitability and production volumes.

Based on these and other successful applications, we will continue to expand our application base, augmenting Larox's position as the chemical industry's filtration technology of choice.

Reiner Weidner

SPECIAL PROCESSES

Larox's special process applications often play a strategically important role within larger processes. They solve difficult production problems by improving end-product quality and by lowering both energy consumption and environmental impact. In addition to the superior process result, producers benefit from the automatic operation and exceptional adaptability of Larox equipment.

For numerous processes, pressure filtration is the only viable dewatering solution. Special processes will continue to pursue these application fields. In particular, the special process business will focus on gas desulfurization systems and food industry applications.

EXPANDING THE APPLICATION LANDSCAPE

Juha Hujanen

Larox's special process business plays a central role in identifying new processes in which Larox solutions will outperform other solid/liquid separation methods. Sulfapress filtration systems for gas sweetening and hydrogen sulfide removal are characteristic of special process solutions.

In 1997 the operational activities of special processes will be integrated with Larox's other strategic business areas. New business opportunities will be pursued inside these fields, such as special applications for individual stages of the same refining process.

The Larox After Sales business is responsible for on-site pressure filter assemblies and installations, start-up service, maintenance and spare part service. In addition After Sales produces equipment documentation and trains the customer's personnel in operating Larox pressure filters. After Sales operates worldwide.

The After Sales has functioned as an independent unit since early 1996. The majority of the group's net sales comes from spare part services, but the other services have the highest growth potential.

The After Sales personnel are in continuous contact with the existing customers, forming a natural communication channel that supports both pressure filter sales and product development. Larox products normally operate as strategically important parts of customers' production processes. One of the most important responsibilities of the After Sales organization is to guarantee the

SERVICE EXTENDS OUR GLOBAL REACH

trouble-free and efficient operation of Larox pressure filters.

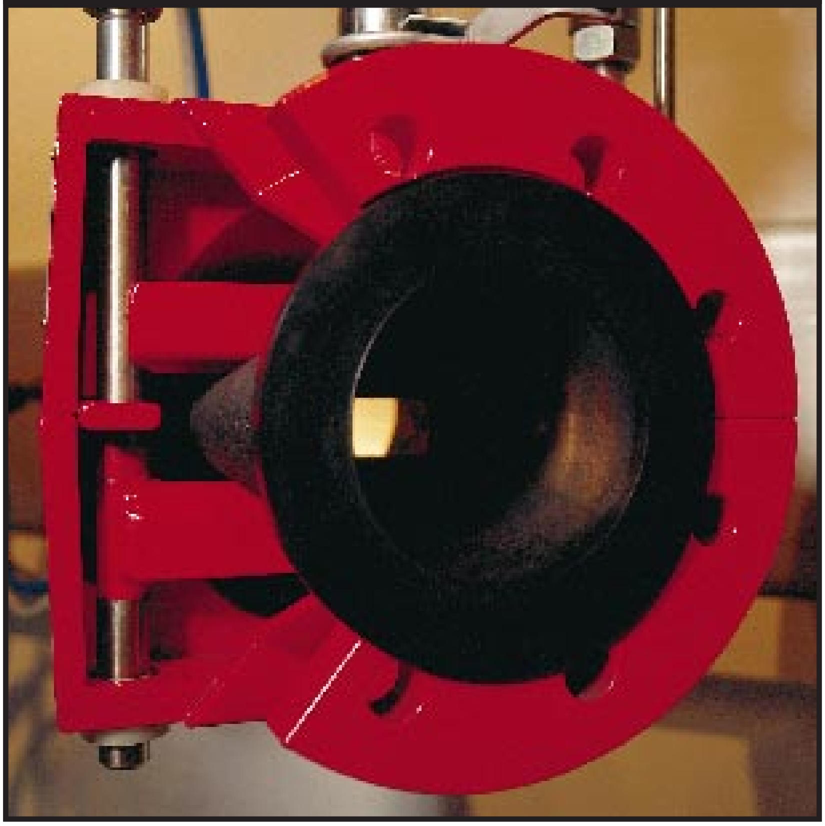
Larox's competitive advantages will be augmented by a well-functioning After Sales organization. Its progress as an independent business field will expand and spread Larox's high-quality service standards worldwide. This change has also formed an independent, global profit center, the cost efficiency and productivity of which is benefiting all Larox Group operations.

The customers' desire to decrease their own maintenance costs by outsourcing certain training, service and maintenance functions is increasing the demand for After Sales services. The trend to outsource the service operations to Larox is most evident in fields that traditionally have a limited number of production personnel.

Predicting customer needs and serving customers quickly and expertly will be the key factors behind the success of the After Sales group. Larox has built this comprehensive organization with the help of its own subsidiaries and sales offices in twelve countries. In each country the customer is served by local personnel trained by Larox.

In the near future Larox After Sales will further base its operations on customer needs. In spare part service, the logistic systems and the warehousing will be intensified, and the cost advantages of using only original spare parts will be emphasized to the customers.

Kari Suninen



THE MULTIPURPOSE PINCH VALVE OUTPERFORMS THE REST

Jukka Aaltonen

Larox Flowsys Oy is specialized in the development, manufacture and sales of pinch valve technology and equipment. Larox valves are supplied worldwide to a variety of businesses. The major customers are active in mining and minerals processing, wood processing, chemicals, effluent treatment and process water treatment.

The objective of Larox's valve business is to solve shut-off and control problems in customers' process pipelines by applying pinch valve technology. The company systematically searches for applications where pinch valves outperform other valve solutions.

Larox pinch valves are specialty products. A Larox valve differs from competing valves in terms of its superior quality, excellent wear resistance, tightness and anti-jamming properties. Other distinct features of Larox valves include their wide range of applications and products and extensive network of sales representatives.

Succeeding in fragmented markets

The world pinch valve markets are fragmented. Typically, several local manufacturers and distributors compete only within certain market areas. Few manufacturers pursue a global market position similar to that of Larox Flowsys.

Normally, the same specialty valve can be sold to several fields of business. Larox valves, however, are adapted to the conditions of each process and intermediate agent. This is an essential aspect of valve operability and performance and requires a wide range of solutions.

Given the nature of valve markets, a small manufacturer such as Larox Flowsys has several alternatives to develop its business. The company specializes in pinch valve solutions for difficult applications because this strategy offers the most opportunity to achieve high customer satisfaction and, ultimately, an outstanding competitive posture compared to other manufacturers.

During the last three years Larox Flowsys has streamlined its products and manufacturing. As we head toward the future, an expanded sales network, continued product development, and a broader application base with established customers will lay the groundwork for robust sales growth.

Review

The fiscal year 1.1.1996-31.12.1996 was good for Larox and the Group reached its set targets for 1996. The predicted growth of net sales and positive result development presented in the interim report was realized. The Group net sales grew by 28.2% to FIM 233.1 million compared to the previous year. The net sales per person increased from FIM 707 thousand to FIM 870 thousand. The Group operating profit before depreciation and operating profit after depreciation improved, and the Group result before extraordinary items, appropriations and taxes increased to FIM 17.0 million from FIM 3.6 million in the previous year (FIM 2.4 million, scaled down to 12 months). The Group profitability increased to 15.8% from 10% in the previous year, using return on invested capital as an indicator. The equity ratio grew from 19.8% to 26.1%.

Business operations

Larox's strategy to concentrate only on specific fields of industry has proved beneficial. The increased demand of the mining industry could be fully utilized as a result of this approach. During the period demand for the new filtration solutions directed to the food industry also increased remarkably.

According to the previous year, 91% of net sales came from outside Finland. The division of net sales was as follows: North, Central, South America 48.5%, Europe and Africa 31.1%, the Far East and Australia 20.4%. In particular, the Group strengthened its position in South America and North America.

The Group order backlog was FIM 57 million (FIM 75 million) at the end of the fiscal year.

Changes in Group structure

No essential changes took place in the Group structure. The subsidiary in Poland, established at the beginning of the fiscal year to improve maintenance and customer service and pinch valve sales, has started well. A decision has been made to expand the company's area of responsibility to also cover pressure filter sales, and therefore the sales office in Poland will be closed at the beginning of 1997 to trim overlapping costs.

The joint venture company in China did not meet expectations during the fiscal year and its operation was unprofitable. Due to its low volume the company has very little economic importance to Larox. The share of the loss incurred in the fiscal year 1996 has been entered in the income statement and the balance sheet.

Konstruktioinsinöörit Oy, a subsidiary owned 100% by Larox Oy and responsible for solid/liquid separation development operations, will be integrated into the parent company Larox Oy at the beginning of 1997.

Result and profitability

The profitability of the Group improved from the previous year due to the growth in volume and financial result.

The Group operating profit before depreciation was FIM 36.1 million, in the previous year FIM 41.2 million (FIM 27.5 million scaled down to 12 months), now at 15.5% of net sales compared to 15.1% in the previous year. The Group depreciations totaled FIM 11.6 million, in the previous year FIM 17.5 million (FIM 11.7 million/12 months). The share of the depreciations of net sales was 5.0%. The operating profit after depreciation of net sales was 10.5%, in the previous year 8.7%. The net financial expenses totaled FIM 7.4 million, in the previous year FIM 20.2 million (FIM 13.4 million/12 months) now at 3.2% of net sales, in the previous year 7.4%.

The result before extraordinary items, appropriations and taxes was FIM 17.0 million, in the previous year FIM 3.6 million (FIM 2.4 million/12 months), which was 7.3% of net sales, in the previous year 1.3%. The result of the fiscal year showed profit of FIM 5.2 million, in the previous year FIM 0.8 million (FIM 0.5 million).

The return on equity improved to 31.9% from 1.4% in the previous year. The return on invested capital was 15.8% compared to 10.0% in the previous year. The earnings per share increased from FIM 0.22 to FIM 5.05.

The changes made in the Group structure during the previous fiscal year and the contribution to the development of business operations proved successful during the period.

Most of the targets set for the Group at the beginning of the 1990s to lighten up the balance sheet structure have been achieved. The lightening of the balance sheet can be seen in decreased financial expenses and improved solvency. During the past fiscal year the Group has depreciated by FIM 8.2 million its investment in mine operation extraordinary items. The FIM 6 million remaining in the balance sheet is the estimated market value of the mine. The production operations of the mining company in Peru have been suspended since the beginning of 1991. The company has continued to carry out its duties related to maintenance, guarding and concession rights. The Group intends to sell the mining company.

Financing and financial position

The Group's financial position improved significantly during the fiscal year.

The equity ratio increased to 26.1% compared to 19.8% in the previous year. The share of net debts of the net sales was 42.1%. The relative indebtedness ratio decreased from 88.6% to 53.9%. The financial structure improved because of loan restructurings: the share of long-term debts grew by FIM 7.2 million, now at FIM 54.8 million and the share of short-term debts decreased by FIM 43.5 million, now at FIM 75.9 million. The net financial expenses decreased considerably from the previous year, now at FIM 7.4 million, in the previous year FIM 20.2 million (FIM 13.4 million/12 months). The share of net financial expenses of the net sales was 3.2%, in the previous year 7.4%. Liquidity improved during the fiscal year.

Investments

The Group investments totaled FIM 12.3 million compared to FIM 14.1 million in the previous year. The investments were normal replacement investments, excluding the FIM 2.3 million office building for production. As for the most considerable investments during the past year, the new research center and the robot welding station for production were started successfully. The existing production capacity will be sufficient to satisfy the growing demand without big investments in the near future.

Research and Development

The contribution of the Group to research and development totaled approximately FIM 8 million compared to FIM 15 million in the previous year.

Personnel

The average number of Group personnel was 268 compared to 257 in the previous year. The number of personnel in the parent company was 171 compared to 168 in the previous year. The salaries paid by the Group totaled FIM 44 million, FIM 52.0 million in the previous year (FIM 34.7 million/12 months), of which the share of partial salaries was FIM 2.3 million. The salaries paid to the managing directors and members of the Board in the Group parent company and subsidiaries totaled FIM 4.2 million, in the previous year FIM 5.9 million (FIM 3.9 million/12 months), of which the share of partial salaries was FIM 685 thousand, in the previous fiscal year FIM 647 thousand (FIM 431 thousand/12 months).

Share issue rights

The Board has no existing share issue rights granted by the shareholders' meeting.

Future prospects

The expectations for the Group's future economic development are positive in the long term. Specialization in particular process solutions that require expertise will clearly improve the customer service, which in turn will increase the Group's competitiveness in the world market. The processes of the mining and chemical industries Larox has selected have substantial market potential. The advantages offered by Larox solutions and the big markets create good possibilities to reach the set 20% annual growth target. The importance of energy-saving and environmentally friendly solutions is growing. New market areas where environmental matters are only in their initial phases present new possibilities for Larox. As regards development in the near future, uncertainty stems from the timing of customers' investments, which in the long term will level out as volume grows.

The Larox valve business has also developed favorably. The aim of the valve business is to concentrate on such customer processes where the advantages of our solutions are clear and competitive.

Larox's average annual growth of over 17% during the last five years will make operational efficiency and productivity improvement one of the most important development priorities in future years.

The Group goal is to be a reliable, customer-oriented company which operates globally and represents the top know-how in its field of business. The Larox Group target is to achieve a profitable annual growth of 20%. The future target is to intensify operations so that net sales per person will increase to FIM 1 million and the return on invested capital will rise to a level of approximately 20%. The solvency target is 40%.

INCOME STATEMENTS

(FIM 1000)	Group 1.1.-31.12.1996	Group 1.7.1994-31.12.1995 (18 months)	Larox Oy 1.1.-31.12.1996	Larox Oy 1.7.1994-31.12.1995 (18 months)
Net sales	**233 120**	272 657	**165 848**	186 904
Increase in stocks of finished goods	**-8 062**	7 358	**-8 818**	5 415
Production for own use	**4 199**		**4 199**	
Other operating income	**576**	1 105	**1 439**	1 214
Costs				
Material and supplies				
Purchases during the fiscal year	**85 992**	112 870	**60 214**	76 199
Change in inventories	**379**	-11 382	**1 199**	-5 694
External charges	**5 002**	6 754	**4 946**	5 554
Rents	**1 651**	1 857	**331**	134
Staff costs	**56 181**	69 302	**34 255**	41 479
Share of associated companies' loss	**752**	200		
Other costs	**43 821**	60 277	**30 538**	44 025
	193 778	239 878	**131 483**	161 697
Operating profit before depreciation	**36 055**	41 242	**31 185**	31 836
Depreciation				
Depreciation on fixed assets and other capitalized expenditure	**11 152**	16 773	**8 913**	14 475
Depreciation of consolidated assets	**488**	733	**0**	0
	11 640	17 506	**8 913**	14 475
Operating profit	**24 415**	23 736	**22 272**	17 361
Financial income and expense				
Dividend income	**0**	0	**7 324**	0
Interest income on long-term investments	**363**	1 325	**1 224**	1 124
Exchange differences	**191**	-5 203	**287**	-5 601
Interest expenses	**7 320**	14 724	**6 680**	13 899
Other financial income and charges	**-656**	-1 560	**-781**	-1 196
	-7 422	-20 162	**1 374**	-19 572
Profit before extraordinary items	**16 993**	3 574	**23 646**	-2 211
Extraordinary income and charges				
Extraordinary income	**0**	0	**0**	0
Extraordinary charges	**8 181**	19	**8 181**	0
	8 181	19	**8 181**	0
Profit before provision and income taxes	**8 812**	3 555	**15 465**	-2 211
Change in accelerated depreciation	**0**	0	**-2 230**	3 323
Change in voluntary provisions	**0**	0	**4 507**	1 500
Minority share	**-96**	-102	**0**	0
Direct taxes	**3 566**	2 637	**3 349**	709
Net profit for the period	**5 150**	816	**14 393**	1 903

BALANCE SHEET

(FIM 1000)	Group 31.12.1996	Group 31.12.1995	Larox Oy 31.12.1996	Larox Oy 31.12.1995
ASSETS				
Fixed assets and other non-current investments				
Intangible assets				
Intangible rights	**4 258**	5 375	**476**	894
Consolidated assets	**733**	1 221	**0**	0
Other capitalized expenditure	**3 942**	6 194	**3 533**	5 692
Advance payments	**0**	96	**0**	0
	8 933	12 886	**4 009**	6 586
Tangible assets				
Land and water areas	**8 848**	8 848	**6 589**	6 589
Buildings	**35 785**	32 033	**33 187**	30 937
Machinery and equipment	**22 228**	21 302	**14 861**	12 909
Other tangible assets	**254**	351	**46**	89
Paid advances and construction in progress	**0**	235	**0**	235
	67 115	62 769	**54 683**	50 759
Financial assets				
Subsidiary shares	**0**	0	**14 512**	14 367
Other bonds and shares	**3 196**	3 970	**4 916**	4 916
Other long-term investments	**1 242**	0	**4 271**	9 210
	4 438	3 970	**23 699**	28 493
Valuation items	**1 265**	6 003	**1 844**	5 326
Current assets				
Inventories				
Raw materials and consumables	**23 785**	24 277	**17 239**	18 439
Work in progress	**3 054**	5 569	**3 040**	5 514
Finished goods	**15 833**	22 126	**2 993**	9 337
Other inventories	**3 337**	3 075	**0**	0
Advance payments	**2**	18	**0**	0
	46 011	55 065	**23 272**	33 290
Receivables				
Trade receivables	**40 388**	51 135	**33 474**	42 658
Loan receivables	**3**	7	**23 751**	16 880
Prepaid expenses and accrued income	**3 283**	9 189	**2 509**	5 855
Other receivables	**759**	1 681	**270**	964
	44 433	62 012	**60 004**	66 357
Cash in hand and at banks	**2 984**	4 214	**464**	1 251
Total assets	**175 179**	206 918	**167 975**	192 062

(FIM 1000)	Group 31.12.1996	31.12.1995	Larox Oy 31.12.1996	31.12.1995
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Shareholders' equity				
Share capital	**26 411**	26 411	**26 411**	26 411
Reserve fund	**64**	64	**64**	64
Revaluation fund	**448**	448	**448**	448
	26 923	26 923	**26 923**	26 923
Non-restricted				
Retained profits	**9 993**	9 813	**2 075**	2 813
Net profit for the period	**5 150**	816	**14 393**	1 903
	15 143	10 629	**16 468**	4 716
Minority share	**2 301**	2 196	**0**	0
Provisions				
Accelerated overdepreciation	**0**	0	**6 005**	4 172
Voluntary provisions				
Interim period provisions	**0**	0	**1 943**	6 450
Obligatory provisions				
Guarantee provision	**663**	491	**663**	491
Creditors				
Non-current				
Loans from credit institutions	**39 864**	32 252	**38 715**	30 442
Pension loans	**10 889**	11 704	**10 888**	11 704
Deferred income taxes	**2 308**	3 015	**0**	0
Other non-current liabilities	**1 117**	224	**713**	4 898
	54 178	47 195	**50 316**	47 044
Current				
Advances received	**5 073**	6 092	**3 542**	1 664
Trade payables	**8 613**	13 553	**6 949**	9 552
Notes payable	**26 460**	53 167	**25 960**	53 135
Accrued liabilities and deferred income	**14 525**	11 663	**12 715**	8 185
Loans from credit institutions	**19 784**	33 539	**15 532**	28 566
Pension loans	**820**	885	**820**	885
Other current liabilities	**696**	585	**139**	279
	75 971	119 484	**65 657**	102 266
Total equity and liabilities	**175 179**	206 918	**167 975**	192 062

SOURCE AND APPLICATION OF FUNDS

(FIM 1000)	Group 31.12.1996	31.12.1995	Larox Oy 31.12.1996	31.12.1995
Source of funds				
Income				
Net profit	**5 246**	918	**14 393**	1 903
Depreciations	**11 640**	17 506	**8 913**	14 475
Share of associated companies' result	**752**	200	**-**	-
Change in voluntary provisions	**-**	-	**-2 277**	-4 822
Extraordinary items	**8 181**	-19	**8 181**	-
Total income	**25 819**	18 605	**29 210**	11 556
Non-current financial assets	**206**	-	**-**	-
Sales of fixed assets	**1 903**	207	**80**	207
Increase in long-term loans	**32 722**	-	**32 722**	-
Change in valuation items	**1 325**	-240	**68**	98
Share issue	**-**	-	**-**	-
	61 975	18 572	**62 080**	11 861
Application of funds				
Non-current financial assets	**1 149**	-	**8 020**	3 677
Investments	**12 281**	14 101	**5 597**	13 028
Decrease in long-term loans	**39 559**	16 033	**42 549**	9 258
Dividends	**2 641**	5 660	**2 641**	5 659
Adjustment items	**-**	198	**-**	-
	55 630	35 992	**58 807**	31 622
Change in net working capital	**2 146**	-17 420	**-926**	-19 761
Production for own use*	**4 199**		**4 199**	
	61 975	18 572	**62 080**	11 861
Change in net working capital				
Cash at bank and in hand	**-1 230**	-7 017	**-787**	-5 795
Current financial assets	**-17 910**	9 715	**-13 459**	9 629
Inventories	**-8 457**	19 580	**-10 018**	11 101
Current liabilities	**29 743**	-39 698	**23 338**	-34 696
	2 146	-17 420	**-926**	-19 761
Net working capital on 1 January/1 July	**35 252**	52 672	**10 947**	30 708
Net working capital on 31 December	**37 398**	35 252	**10 021**	10 947

* Eliminated from investments and inventories

NOTES TO THE FINANCIAL STATEMENTS

Accounting principles

Consolidation

The consolidated financial statements include the accounts of the parent company, Larox Oy, and all companies in Finland and abroad over which Larox Oy has control.

Minority shares of the results and shareholders' equities have been presented as separate items in the income statement and balance sheet. The result of the associated company has been taken into consideration in the income statement point "share of the associated company's result". In the Group balance sheet the past-equity of associated company shares and Group's non-restricted shareholders' equity have been adjusted by using the Group share of the associated company's net wealth accumulated after acquisition.

The past-equity method is used in the elimination of subsidiary shares. The so-called overcost that is incurred when the acquisition cost of the shares of a subsidiary exceeds the Group's holding in the shareholders' equity and reserves of the acquired company, is activated entirely into consolidated assets and will be depreciated in ten years.

Voluntary provisions of the Group and accelerated depreciation have been entered in the Group's non-restricted equity. The share of taxes has been entered as deferred taxes in liabilities. The winding up of the provisions and depreciation has been eliminated in the consolidated income statement.

Foreign currency transactions

Transactions in foreign currency are entered in the bookkeeping in the Finnish markka at the exchange rate in effect at the date of the transaction. In financial statements, assets and liabilities in foreign currency are translated into the Finnish markka by using the exchange rate of the Bank of Finland ruling on the balance sheet date.

In the consolidated financial statements, income statements of foreign subsidiaries are converted into Finnish markka at the average rate of the fiscal year and the balance sheet is converted at the average rate by the Bank of Finland ruling on that date.

Exchange differences

All realized exchange differences and unrealized exchange differences arising from trade receivables and trade payables and short-term and long-term debts and receivables are reflected in the income statement.

Net sales

Sales of products and services are reflected in the income statement at the time of delivery. Sales are presented net of indirect taxes and other adjustments to sales.

Wages and salaries

Wages and salaries stated in the Notes to the Accounts include all wages paid for working hours and also those paid for annual holiday periods, days off, periods of sickness, holiday reimbursement and bonuses paid for years in service and related circumstances.

Direct taxes

Direct taxes stated in the income statement are estimated taxes to equal the profit of the fiscal year as well as adjusted taxes of previous accounting years.

Inventories

For domestic Group companies, inventories are valued at purchase price using the FIFO method. With foreign subsidiaries the practice of the country in question has been followed. This has no essential effect on the value of inventories.

Fixed assets and depreciations

The book values of fixed assets are based on historical purchase cost, with the exception of certain land and water areas and buildings that have been revalued.

For depreciable fixed assets, planned depreciation has been provided on the basis of equal annual installments to write off the cost of the assets over their useful lives. The times for depreciation are based on the useful lives as follows: 40 for buildings, 4-10 years for machinery and equipment, 3-10 years for other capitalized expenditure, 10 years for other tangible assets and 10 years for intangible rights.

The planned depreciation taken into consideration in the consolidated financial statement comprises the sum of the depreciations of the companies within the Group added with the depreciation of the consolidated assets.

Valuation items

Valuation items also include from previous fiscal years the unrealized exchange differences arising on other long-term foreign loans receivable and liabilities, of which depreciations are made on the loan period. Valuation items also include the adjustment differences of consolidation.

NOTES TO THE INCOME STATEMENT

(FIM 1000)	Group 1.1.-31.12.1996	Group 1.7.1994-31.12.1995 (18 months)	Larox Oy 1.1.-31.12.1996	Larox Oy 1.7.1994-31.12.1995 (18 months)
1. Wages and salaries				
Wages and benefits	44 399	51 962	26 864	30 760
of which wages and benefits for managing director and board members	4 203	5 867	1 873	1 971
Pension expenses	578	285	67	100
Other personnel expenses	11 204	17 055	7 324	10 619
Total	56 181	69 302	34 255	41 479
2. Depreciation				
Planned depreciation on				
Buildings	683	815	661	783
Machinery and equipment	5 535	5 924	4 073	4 219
Other tangible assets	43	65	43	65
Shares	-	-	-	-
Other capitalized expenditure	3 455	5 102	2 700	4 601
Intangible assets	116	240	116	179
Valuation items	1 320	2 786	1 320	2 786
Mine operations	-	1 842	-	1 842
Consolidated assets	488	732	-	-
Total	11 640	17 506	8 913	14 475
Difference between booked and planned depreciation on				
Buildings	2 803	25	2 803	25
Machinery and equipment	-272	-3 030	-573	-3 348
Other tangible assets	-	-	-	-
Other capitalized expenditure	-	-	-	-
Intangible assets	-	-	-	-
Total	2 531	-3 005	2 230	-3 323
Accelerated depreciation on				
Buildings	4 672	1 868	4 671	1 868
Machinery and equipment	1 475	1 748	857	1 430
Other tangible assets	2	2	2	2
Other capitalized expenditure	475	475	475	475
Intangible assets	0	0	0	0
Total	6 624	4 093	6 005	3 775
3. Financial income and expenses to Group companies				
Income	-	-	8 479	264
Expense	-	-	194	416
4. Extraordinary income and expense				
Depreciation on invested capital of the mine	-8 181	-	-8 181	-
5. Deferred taxes				
Estimated taxes to equal the profit of the fiscal year	-3 223	-2 677	-3 009	154
Adjusted taxes from previous accounting years	253	-1 087	-340	-863
Change in deferred taxes	-596	1 127	-	-
Total	-3 566	-2 637	-3 349	-709

NOTES TO THE BALANCE SHEET

	Group 1996	Group 1994-1995	Larox Oy 1996	Larox Oy 1994-1995
6. Change in fixed assets				
Intangible assets				
Acquisition expense 1.1	10 827	10 630	6 286	6 160
Increase/decrease	-1 000	197	-302	126
Acquisition expense 31.12	9 827	10 827	5 984	6 286
Accumulated planned depreciation 31.12	5 569	5 453	5 508	5 392
Planned depreciation 1.1 - 31.12	116	240	116	179
Book value 31.12	4 258	5 375	476	894

(FIM 1000)	Group 1996	Group 1994-1995	Larox Oy 1996	Larox Oy 1994-1995
Other capitalized expenditure				
Acquisition expense 1.1	20 048	17 498	19 040	16 768
Increase/decrease	1 203	2 550	541	2 272
Acquisition expense 31.12	21 251	20 048	19 581	19 040
Accumulated planned depreciation 31.12	17 309	13 854	16 048	13 348
Planned depreciation 1.1-31.12	3 455	5 102	2 700	4 601
Book value 31.12	3 942	6 194	3 533	5 692
Land areas				
Acquisition expense 1.1	8 848	8 848	6 589	6 589
Increase/decrease	0	0	0	0
Acquisition expense 31.12	8 848	8 848	6 589	6 589
Land areas include revaluations	3 350	3 350	3 350	3 350
Buildings				
Acquisition expense 1.1	41 366	39 879	40 157	38 452
Increase/decrease	4 436	1 487	2 911	1 705
Acquisition expense 31.12	45 802	41 366	43 068	40 157
Accumulated planned depreciation 31.12	10 017	9 334	9 881	9 220
Planned depreciation 1.1-31.12	683	815	661	783
Book value 31.12	35 785	32 033	33 187	30 937
Buildings include revaluations	16 572	16 572	16 572	16 572
Machinery and equipment				
Acquisition expense 1.1	48 542	40 172	33 276	26 360
Increase/decrease	6 461	8 370	6 025	6 916
Acquisition expense 31.12	55 003	48 542	39 301	33 276
Accumulated planned depreciation 31.12	32 775	27 240	24 440	20 367
Planned depreciation 1.1-31.12	5 535	5 924	4 073	4 219
Book value 31.12	22 228	21 302	14 861	12 909
Other tangible assets				
Acquisition expense 1.1	717	633	432	432
Increase/decrease	-54	84	0	0
Acquisition expense 31.12	663	717	432	432
Accumulated planned depreciation 31.12	409	366	386	343
Planned depreciation 1.1-31.12	43	65	43	65
Book value 31.12	254	351	46	89
Subsidiary shares				
Acquisition expense 1.1	-	-	14 367	13 565
Increase/decrease	-	-	145	802
Acquisition expense 31.12	-	-	14 512	14 367
Accumulated planned depreciation 31.12	-	-	0	0
Planned depreciation 1.1-31.12	-	-	0	0
Book value 31.12	-	-	14 512	14 367
Other shares				
Acquisition expense 1.1	3 970	3 916	4 916	3 916
Increase/decrease	-774	54	0	1 000
Acquisition expense 31.12	3 196	3 970	4 916	4 916
Accumulated planned depreciation 31.12	0	0	0	0
Planned depreciation 1.1-31.12	0	0	0	0
Book value 31.12	3 196	3 970	4 916	4 916
7. Valuation items				
Adjustment difference of consolidation				
increase	-	677	-	-
decrease	-579	-	-	-
Other items				
increase	-	-	-	-
decrease	-4 159	-3 222	-3 482	-2 884
Total	-4 738	-2 545	-3 482	-2 884

(FIM 1000)	Group 1996	Group 1994-1995	Larox Oy 1996	Larox Oy 1994-1995
8. Receivables from subsidiaries				
Trade receivables			16 871	11 774
Loan receivables,			23 751	16 880
from which with equity term			10 526	9 656
Deferred assets			210	643
Total			40 832	29 297
9. Fire insurance value of fixed assets				
Fire insurance value of fixed assets	109 224	97 292	93 491	93 725

The fire insurance value is mainly based on the replacement costs of the assets.

(FIM 1000)	Group 1996	Group 1994-1995	Larox Oy 1996	Larox Oy 1994-1995
10. Taxation value of fixed assets				
Land and water areas	1 080	1 080	1 080	1 080
Buildings and constructions	16 515	15 419	13 918	14 392
Shares	17 193	495	17 193	495
Total	34 788	16 994	32 191	15 967
11. Invested capital of the mine				
Loans receivable (FIM million)	-	-	3.1	9.2
Fixed assets (FIM million)	6.0	11.0	-	-
Valuation items (FIM million)	-	3.2	-	2.1
Shares (FIM million)	-		2.9	2.9
Total	6.0	14.2	6.0	14.2

12. Shares and shareholdings

		Number	Share, %		Nominal value	Book value
Subsidiary shares						
Larox Inc	USA	50	100	USD	1 000 000	4 084 500
Larox Europe GmbH	Germany	500	100	DEM	250 000	718 601
Larox Pty Ltd	Australia	400	100	AUD	400	4 578 637
Larox Chile S.A.	Chile	1500	100	CLP	15 000 000	202 879
Larox Poland Ltd	Poland	160	100	PLN	160 000	332 841
Konstruktioinsinöörit Oy	Finland	50	100	FIM	30 000	30 000
Larox Flowsys Oy	Finland	1650	55	FIM	1 650 000	1 650 000
Cia MInera Trinidad S.A.	Peru	52991	98	PEI	6 459 642	2 914 770
Total subsidiary shares						14 512 228

*) A complete specification of share holdings in the Group and other companies is included in the official consolidated financial statements.

		Share, %		Nominal value	Book value
Associated company shares					
San He Jin Yan Filtration Equipment Co, Ltd.	China	45	CNY	5 197 500	3 820 237
Associated company shares, total					3 820 237

	Number	Nominal value	Book value
Other shares			
Merita A	53796	537 960	1 017 188
Others			78 300
Total of other shares			1 095 488
Total shares and shareholdings			19 427 953

(FIM 1000)	Group 1996	Group 1994-1995	Larox Oy 1996	Larox Oy 1994-1995
13. Shareholders' equity				
Restricted				
Share capital in the beginning of the fiscal year	26 411	18 865	26 411	18 865
Bonus issue	-	7 546	-	7 546
Share capital at the end of the fiscal year	26 411	26 411	26 411	26 411
Reserve fund in the beginning of the fiscal year	64	64	64	64
Reserve fund at the end of the fiscal year	64	64	64	64
Revaluation fund in the beginning of the fiscal year	448	7 994	448	7 994
Other increase/decrease	-	-7 546	-	-7 546
Revaluation fund at the end of the fiscal year	448	448	448	448
Total restricted shareholders' capital at the end of the fiscal year	26 923	26 923	26 923	26 923

(FIM 1000)	Group 1996	Group 1994-1995	Larox Oy 1996	Larox Oy 1994-1995
Non-restricted				
Non-restricted shareholders' equity in the beginning of the fiscal year	10 629	18 806	4 716	8 472
Dividend	-2 641	-5 659	-2 641	-5 659
From reserve fund	0	0	0	0
Other increase/decrease	2 005	-3 334	0	0
Net profit for the year	5 150	816	14 393	1 903
Total non-restricted shareholders' equity at the end of the fiscal year	15 143	10 629	16 468	4 716
Total shareholders' equity	42 066	37 552	43 391	31 639
14. Provisions				
Voluntary provisions				
Voluntary provision at the beginning of the fiscal year	-	-	6 450	7 950
change	-	-	-4 507	-1 500
Voluntary provision at the end of the fiscal year	-	-	1 943	6 450
Obligatory provisions				
Guarantee provision at the beginning of the fiscal year	491	432	491	432
change	172	59	172	59
Guarantee provision at the end of the fiscal year	663	491	663	491
15. Payables to subsidiaries				
Accounts payable	-	-	1 712	1 960
Deferred liabilities	-	-	611	234
Other liabilities	-	-	713	4 898
Total	-	-	3 036	7 092
16. Contingent liabilities				
For own part				
Mortgages	72 410	80 810	70 410	75 510
For Group companies				
Guarantees	-	-	12 486	8 717
Pension liabilities	314	314	314	314
Total	72 410	80 810	83 210	84 541
17. Non-current liabilities which will fall due after five years or later				
Loans from financial institutions	2 248	295	2 248	295
Pension loans	8 145	8 758	8 145	8 758
Total	10 393	9 053	10 393	9 053

OTHER NOTES TO THE FINANCIAL STATEMENTS

18. Derivative instruments on 31.12.1996
Foreign currency derivatives, thousand FIM

	market value	value of underlying instrument
Forward foreign exchange contracts	49 970	49 890
Currency option contracts		
Purchased	153	22 890
Written *	-58	23 220

* Written options have been used in connection with purchased currency put options.

The total market value of forward foreign contracts is calculated based on the Bank of Finland average exchange rate ruling on the balance sheet date. The market value of the options on the date of the balance sheet is defined according to generally used option pricing models.

The values of the underlying instruments are according to the corresponding Finnish markka value of the currency bought on the date of the balance sheet.

19. Hedging of foreign currency and interest rate risks
The Group target is to minimize the effect of foreign currency and interest rate risks on the Group's cash flows, profit and shareholders' equity.

The Group's foreign currency policy is to hedge all significant risks related to exchange rate movements. The Group's foreign currency exposure primarily consists of sales receivables, order backlog, debts in foreign currencies and part of future prospects. The most important invoicing currencies used at Larox are USD, FIM, AUD, DEM, GBP. The main purchasing currency is the Finnish markka.

The exposure is mainly hedged through forward exchange contracts, currency options and foreign currency loans. The Group also hedges the shareholders' equity of foreign subsidiaries with foreign currency loans.

The exchange gains and losses and premiums from the hedging of actual business operations are reported in adjustment items of sales and purchases. The exchange gains and losses of financial operations are reported within financial income and expenses. According to prudence principle on the date of the balance sheet, FIM 95 thousand exchange gains from options were deferred.

The Group's loans and short-term investments are dispersed in fixed and variable interest rate instruments. At the end of the fiscal year the Group had no open forward rate agreements or interest rate swaps.

20. Disputes
A summons, left to Helsinki district court, was taken out against Larox Oy on 26 November 1996. The summons was left by Outokumpu Oy, claiming that Larox Oy has breached one of their patents. The claim for compensation is nearly FIM 20 million. In Larox's opinion the action is groundless and disproportionate.

BOARD'S PROPOSAL FOR DISTRIBUTION OF PROFITS

The non-restricted shareholders' equity in the consolidated balance sheet on 31 December 1996 is FIM 15,142,620.00 of which FIM 9,207,263.00 can be distributed. The parent company's profit for the past fiscal year is FIM 14,393,352.52 and the retained profits from previous years amount to FIM 2,075,183.63. The Board of Directors proposes that a dividend of FIM 1.90 per share, i.e. FIM 5,018,090.00 be paid. After this FIM 11,450,446.15 will be retained and carried forward for the parent company.

Lappeenranta on 18 February 1997

Timo Vartiainen   Nuutti Vartiainen   Katariina Aaltonen

Toivo Matti Karppanen   Teppo Taberman

AUDITORS' REPORT

To Larox Oy's shareholders

We have audited the accounting, the financial statements and the corporate governance of Larox Oy for the period of 1.1.1996 - 31.12.1996. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We conducted our audit in accordance with generally accepted Finnish auditing standards. We have audited the accounting records, and accounts, the disclosures and the presentation of information, including the accounting policies, to an extent sufficient to give us reasonable assurance that they are free of material misstatement. The audit of the administration has included obtaining assurance that the actions of the members of the Board of Directors and the Managing Director have been in conformity with the regulations of the Companies' Act.

In our opinion the accounts have been prepared in accordance with the regulations of the Accounting Act and other legislation and regulations relevant to the preparation of the accounts, and give a true and fair view of the parent company's and the Group's results from operations and financial position in accordance with such legislation and regulations. The accounts including the Group accounts may be approved, and the members of the Board of Directors and the Managing Director may be discharged from liability for the period examined by us. The proposal of the Board of Directors concerning the disposition of the unrestricted shareholders' equity according to the balance sheet is in accordance with the Companies' Act.

We have reviewed the interim report published during the period. According to our review it has been prepared in accordance with the relevant regulations.

Lappeenranta on 19 February 1997

Petteri Valkonen   Pasi Waris
CPA   CPA

SHARES AND SHAREHOLDERS

Share-related data

	1996	1994-1995	1993-1994	1992-1993	1991-1992
Earnings per share	**5.05**	0.22	2.79	2.11	-0.65
Shareholders' equity per share, FIM	**15.93**	14.22	17.31	16.02	19.44
Dividend per share, FIM	**1.90**	1.00	2.14	0.0	0.0
Dividend per earnings ratio %	**37.6**	460.7	76.7	0.0	0.0
Dividend yield %	**5.0**	4.2	5.1	0.0	0.0
Price per earnings ratio (P/E)	**7.5**	110.6	15.2	10.5	-21.4
Development of share price					
Average trading price, FIM	**35.22**	36.19	38.16	18.45	15.52
Lowest trading price, FIM	**25.00**	23.00	23.57	11.43	11.07
Highest trading price, FIM	**42.00**	69.00	59.29	31.43	18.21
Trading price at end of period, FIM	**37.60**	26.20	42.50	22.14	13.57
Market capitalization at end of period					
A-shares, FIM million *	**26.8**	17.0	30.0	15.7	9.9
B-shares, FIM million	**73.1**	46.4	49.9	26.1	16.4
Total, FIM million	**99.9**	63.4	79.9	41.8	26.3
Trading volume					
B-shares	**552.8**	292.3	812.8	442.0	44.3
In relation to average number of B-shares, %	**28.6**	15.7	69.0	37.5	3.8
Average number of shares, 1000 pcs	**1 933.1**	1 856.8	1 178.5	1 178.5	1 178.5
Number of shares at end of period					
A-shares, 1000 pcs	**708**	708	708	708	708
B-shares, 1000 pcs	**1 933.1**	1 933.1	1 178.5	1 178.5	1 178.5
Total, 1000 pcs	**2 641.1**	2 641.1	1 886.5	1 886.5	1 886.5

The figures per share are share-issue adjusted. The lengths of fiscal years 1994-1995 and 1992-1993 are exceptional.

* The A-share data is based on the B-share's last trading rate of the fiscal year.

Distribution of share capital sectors on 31 January 1997

	Number of shareholders	% of shareholders	Total shares, pcs	% of share capital
Private enterprises	69	10.0	323 231	12.24
Financial institutions and insurance companies	10	1.5	337 739	12.78
Public corporations	2	0.3	10 629	0.4
Non-profit institutions	6	0.9	7 670	0.29
Households	600	87.0	1 949 316	73.81
Foreign owners	2	0.3	265	0.01
Total	689	100.0	2 628 850	99.53
On waiting list			1 000	0.04
On joint account			11 250	0.43
Issued, total			2 641 100	100.00

Distribution of share capital in order of magnitude on 31 December 1996

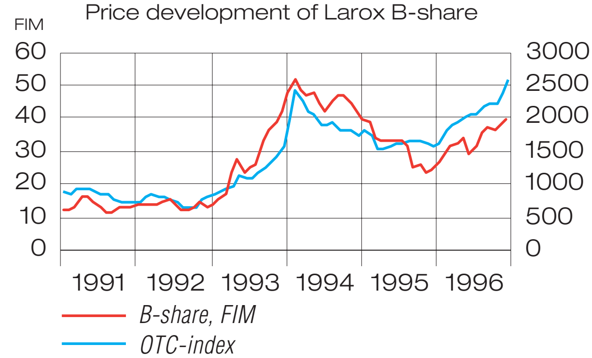
	Number of shareholders	% of shareholders	Total shares, pcs	% of share capital
1 - 100	99	14.4	4 984	0.2
101 - 500	347	50.3	99 728	3.8
501 - 1000	103	14.9	78 472	3.0
1001 - 5000	104	15.1	211 922	8.0
5001 - 10000	9	1.3	65 085	2.5
10001 - 50000	20	2.9	521 676	19.8
50001 - 100000	3	0.4	280 603	10.5
100001 and over	5	0.7	1 352 580	51.2
Nominee accounts held by custodian banks			14 800	0.6
On joint account			11 250	0.4
Issued, total			2 641 100	100.0

Principal shareholders on 31 December 1996

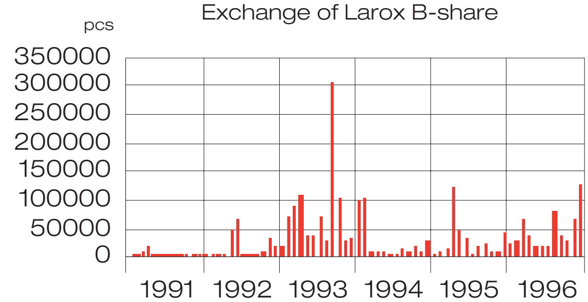
	% of share capital	% of voting rights
Vartiainen Timo	12.3	23.2
Aaltonen Terhi-Katariina	12.1	23.2
Kupias Karoliina	11.7	23.1
Vartiainen Nuutti	9.5	16.2
Vartiainen Tyyne	3.2	4.3
Evli-Select Investment Fund	5.7	0.9
Capillary Oy	3.7	0.6
Merita Pankki Oy	3.7	0.6
Investa Osake Investment Fund	1.5	0.2
Unsa Oy	1.4	0.2

The total number of shares owned and possessed by Board members and President is 1,161,087, which equals 65.2% of voting rights.

Price development of Larox B-share



Exchange of Larox B-share



DEVELOPMENT OF THE GROUP 1991-1996

(FIM 1000)	**1996**	1994-1995	1993-1994	1992-1993	1991-1992
Scope of activity					
Net sales	**233 120**	181 771	155 264	143 155	124 128
Growth of net sales (%)	**28.2**	17.1	8.5	15.3	18.1
Share of exports and foreign operations (%)	**91**	90	90	94.5	92.2
Number of personnel	**268**	257	210	204	210
Net sales per person	**870**	707	739	702	591
Total liabilities	**130 812**	167 170	143 446	143 348	121 653
Current liabilities	**75 970**	119 484	61 091	47 377	49 386
Shareholders' equity	**42 066**	37 552	45 729	38 408	46 860
Capital invested	**143 997**	172 104	160 392	155 565	146 972
Balance sheet, total	**175 179**	206 918	191 269	180 756	168 513
Investments	**12 281**	14 060	10 224	8 921	11 384
Profit and profitability					
Operating profit before depreciation	**36 055**	27 495	34 692	31 756	24 734
Depreciation	**11 640**	1 1671	12 407	10 239	11 346
Profit before extraordinary items and taxes	**16 993**	2 383	11 616	6 505	-1 924
Net income	**13 427**	625	8 118	4 891	-1 797
Operating profit before depreciation %	**15.5**	15.1	22.3	22.2	19.9
Operating profit %	**10.5**	8.7	14.4	15.0	10.8
Net income %	**5.8**	0.3	5.2	3.4	-1.4
Net financial expenses %	**3.2**	7.4	6.9	10.2	12.4
Return on shareholders' equity %	**31.9**	1.4	18.8	9.5	-3.2
Return on invested capital %	**15.8**	10.0	14.1	14.1	9.2
Financing					
Quick ratio	**0.7**	0.6	1.1	1.2	1.2
Current ratio	**1.2**	1.0	1.7	1.9	1.9
Equity ratio (%)	**26.1**	19.8	25.4	21.4	27.9
Relative indebtedness %	**53.9**	88.6	90.5	96.0	94.0

The key figures for fiscal years 1994-1995 and 1992-1993 have been scaled down to 12 months.

CALCULATION OF KEY RATIOS

Return on equity % =
$$\frac{\text{Profit before extraordinary items – taxes}}{\text{(Invested capital – interest-bearing debts at the beginning of fiscal year) + (Invested capital – interest-bearing debts at the end of fiscal year)/2}} \times 100$$

Return on invested capital % =
$$\frac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{(Invested capital at the beginning of fiscal year + invested capital at the end of fiscal year)/2}} \times 100$$

Equity ratio % =
$$\frac{\text{Shareholders' equity + voluntary provisions + accelerated depreciation + valuation items + minority share}}{\text{Total assets – advances received}} \times 100$$

Relative indebtedness % =
$$\frac{\text{Current and non-current liabilities + obligatory provisions – advances received}}{\text{Net sales}} \times 100$$

Invested capital = Shareholders' equity + minority share + voluntary provisions + accelerated depreciation + valuation items + non-current liabilities + short-term loans from financial institutions + short-term pension loans + notes payable + other current liabilities – deferred taxes

Quick ratio =
$$\frac{\text{Accounts receivable + cash in hand and at banks}}{\text{Current liabilities – advances received}}$$

Current ratio =
$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Earnings per share =
$$\frac{\text{Profit before extraordinary items, provisions and taxes – taxes +/– minority share}}{\text{Adjusted average number of shares during the period}}$$

Shareholders' equity per share =
$$\frac{\text{Shareholders' equity + voluntary provisions and accelerated depreciation – deferred tax liabilities – minority share}}{\text{Adjusted average number of shares at the end of period}}$$

Dividend per share =
$$\frac{\text{Dividend distributed for the fiscal year}}{\text{Adjusted average number of shares at the end of period}}$$

Dividend per earnings ratio =
$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Dividend yield % =
$$\frac{\text{Dividend per share}}{\text{Adjusted trading price at the end of period}}$$

Price per earnings ratio (P/E) =
$$\frac{\text{Adjusted trading price at the end of period}}{\text{Earnings per share}}$$

Average trading price =
$$\frac{\text{FIM amount traded during the period}}{\text{Number of shares traded during the period}}$$

Market capitalization at the end of period = Number of shares at the end of period x trading price at the end of period

Trading volume = Number of shares traded during the period and in relation to the weighted average number of shares during the period

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